

LIBERTY PHOSPHATE LIMITED



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EIGHTEENTH ANNUAL REPORT 2005-2006



LIBERTY PHOSPHATE LIMITED

ANNUAL REPORT 2005-06

CONTENTS

S.No.	Item	Page No.
1	Board of Directors	1
2	Notice	2
3	Directors' Report	6
4	Auditors' Report	23
5	Balance sheet as at 31 st March, 2006.	27
6	Profit & Loss Account for the year ended 31 st March 2006.	28
7	Cash flow Statement	29
8	Schedules to Balance Sheet	30
9	Schedules to Profit & Loss Account	33
10	Notes on Accounts	37
11	General Business Profile.	44
12	Statement of Subsidiary u/s 212	45
13	Consolidated Financial Statements	47
14	Annual Accounts of Liberty Pesticides & Fertilizers Ltd. for the year ended 31 st March 2006.	63

**BOARD OF DIRECTORS**

- | | | |
|----|------------------------------|-------------------------------|
| 1. | Shri R. R. Dhanani | -Chairman & Managing Director |
| 2. | Shri Vinit J. Shah | -Director |
| 3. | Shri Gagandeep Chadha | -Director |
| 4. | Smt. Anisha R. Dhanani | -Director (w.e.f. 31.10.2005) |
| 5. | Shri S. Z. Memon | -Director |
| 6. | Shri Anil Kumar Sethia | -Director (w.e.f. 31.07.2006) |
| 7. | Shri Firoz Asgar Khambati | -Director (w.e.f. 31.07.2006) |
| 8. | Shri Inderjeet Singh Chauhan | -Director (up to 31.07.2006) |

Company Secretary

Shri M. M. Mundhra

Statutory Auditors

- V. Shah & Associates, Chartered Accountants
4, Raj Bhavan Colony, Behind Baroda High School,
Pologround, Baroda- 391 341
- K. L. Vyas & Company, Chartered Accountants
Shop No.2, 2nd Floor, Parshwanath Dava Bazar,
6, Hazareshwar Colony, Udaipur- 313 001

Banker

Canara Bank,
Raopura (Main), Vadodara (Gujarat)

Works

- F-227, Mewar Industrial Area, Madri,
Udaipur -313 003 (Rajasthan)
- 74/75/83, G.I.D.C., Nandesari- 391 340
Dist.: Vadodara (Gujarat)
- 19, Bhimpura Industrial Area, Jagpura
Kota (Rajasthan)
- Survey No. 122 & 129, Rasal (Pali), Tal. Sudhagad,
Dist.: Raigad (Maharashtra)

Registered Office

74/75, G.I.D.C., Nandesari-391 340
Distt.: Vadodara (Gujarat)



NOTICE

NOTICE is hereby given that the **Eighteenth** Annual General Meeting of the Members of **LIBERTY PHOSPHATE LIMITED** will be held at the Registered Office of the Company at 74/75, GIDC, Nandesari -390 340, Distt. Vadodara (Gujarat) on Saturday, the 30th day of September, 2006, at 10:00 A.M. to transact the following business:

ORDINARY BUSINESS:

- (1) To Receive, Consider and Adopt the Audited Accounts of the Company for the year ended on 31.03.2006 along with the Directors' Report and Auditors' Report thereon.
- (2) To appoint a Director in place of Mr. Vinit J. Shah who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint Joint Statutory Auditors and to fix their Remuneration.

SPECIAL BUSINESS:

- (4) Appointment of Mrs. Anisha R. Dhanani as a Director of the company. To consider and, if thought proper, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mrs. Anisha R. Dhanani, who was appointed as an Additional Director of the company by the Board of Directors in it's meeting held on 31.10.2005 and in accordance with the provisions of Section 260 of the Companies Act, 1956, ceases to be Director at the commencement of the ensuing Annual General Meeting and in respect of whom a notice under section 257 of the Companies Act, 1956 having been received with deposit of necessary amount from a shareholder of the company proposing her candidature to the office of the Director, be and is hereby appointed as a Director of the Company with immediate effect from today i.e. 30.09.2006 whose period of office is liable to be determined by retirement by rotation."

- (5) Appointment of Mr. Firoz Asgar Khambati as a Director of the company. To consider and, if thought proper, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. Firoz Asgar Khambati, who was appointed as an Additional Director of the company by the Board of Directors in it's meeting held on 31.07.2006 and in accordance with the provisions of Section 260 of the Companies Act, 1956, ceases to be Director at the commencement of the ensuing Annual General Meeting and in respect of whom a notice under section 257 of the Companies Act, 1956 having been received with deposit of necessary amount from a shareholder of the company proposing his candidature to the office of the Director, be and is hereby appointed as a Director of the Company with immediate effect from today i.e. 30.09.2006 whose period of office is liable to be determined by retirement by rotation."

- (6) Appointment of Mr. Anil Kumar Sethia as a Director of the company. To consider and, if thought proper, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. Anil Kumar Sethia, who was appointed as an Additional Director of the company by the Board of Directors in it's meeting held on 31.07.2006 and in accordance with the provisions of Section 260 of the Companies Act, 1956, ceases to be Director at the commencement of the ensuing Annual General Meeting and in respect of whom a notice under section 257 of the Companies Act, 1956 having been received with deposit of necessary amount from a shareholder of the company proposing his candidature to the office of the Director, be and is hereby appointed as a Director of the Company with immediate effect from today i.e. 30.09.2006 whose period of office is liable to be determined by retirement by rotation."



- (7) To appoint Mr S. Z. Memon as a Wholetime Director of the company w.e.f. 01.04.2006. To consider and, if thought proper, to pass, with or without modification (s), the following resolution as an Ordinary Resolution.

"RESOLVED that pursuant to requirement of Schedule XIII of the Companies Act, 1956, approval of the shareholders be and is hereby accorded to the appointment of Mr. S. Z. Memon as a Wholetime Director of the company for a period of three years with effect from 01.04.2006 to 31.03.2009 on the terms and conditions including remuneration as recommended by Remuneration Committee of the company and as are set out in the Agreement to be entered into between the Company, duly explained in the Explanatory Statement to the Notice of even date, and Mr S. Z. Memon, a draft whereof duly initialed by the Chairman of the company for the purpose of identification is submitted to this meeting with liberty to the Board of Directors of the Company (here in after referred to as "the Board") to alter and vary the said terms of appointment and remuneration and/or Agreement in such manner as may be agreed to between the Board and Mr. S. Z. Memon but so that his remuneration shall not exceed the limit specified in Schedule XIII to the Act (including any statutory modification or re-enactment thereof, for the time being in force) or any amendment and/or modifications that may hereafter from time to time be made thereto by the Central Government."

"RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this Resolution."

"RESOLVED FURTHER that the remuneration paid / payable to Mr. S. Z. Memon from 01.04.2006 to 30.09.2006 be and is hereby ratified."

Registered Office :

74/75, GIDC, Nandesari,
District : Vadodara
PIN - 390 340
Dated : 02.09.2006

By Order of the Board of Directors

R R DHANANI
Chairman & Managing Director

NOTES:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the time of the meeting.
- (2) The Register of Members and Share Transfer Books of the company shall remain closed from 22.09.2006 to 30.09.2006 (both days inclusive).
- (3) Members are requested to bring their copy of Annual Report, as it will be difficult to further distribute it's copy in the Annual General Meeting.
- (4) An explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Item No. 4 to 7 is annexed herewith and forms part of the Notice.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.
Item No. 4

Mrs. Anisha R. Dhanani was appointed as an Additional Director on 31.10.2005 in the meeting of Board of Directors held on 31.10.2005. Mrs. Anisha R. Dhanani is a businessperson with wide experience in business.

In accordance with the provisions of the Companies Act, 1956, she ceases to be a Director at the commencement of the ensuing Annual General Meeting. The company has received a notice with deposit of necessary amount under Section 257 of the Companies Act, 1956 from a member of the company proposing her candidature to the office of the Director. Her shareholding is 1026152 shares



of the company.

None of the Directors of the company except Mrs. Anisha R. Dhanani and Mr. R.R.Dhanani is interested or concerned in passing of the resolution.

Item No.5

Mr Firoz Asgar Khambati was appointed as an Additional Director on 31.07.2006 in the meeting of Board of Directors held on 31.07.2006. Mr. Firoz Asgar Khambati is a businessman with wide experience in business.

In accordance with the provisions of the Companies Act, 1956, he ceases to be a Director at the commencement of the ensuing Annual General Meeting. The company has received a notice with deposit of necessary amount under Section 257 of the Companies Act, 1956, from a member of the company proposing his candidature to the office of the Director. His shareholding is 36545 shares of the company.

None of the Directors of the company except Mr Firoz Asgar Khambati is interested or concerned in passing of the resolution.

Item No.6

Mr Anil Kumar Sethia was appointed as an Additional Director on 31.07.2006 in the meeting of Board of Directors held on 31.07.2006. Mr. Anil Kumar Sethia has very wide experience in marketing of Phosphatic Fertilizers.

In accordance with the provisions of the Companies Act, 1956, he ceases to be a Director at the commencement of the ensuing Annual General Meeting. The company has received a notice with deposit of necessary amount under Section 257 of the Companies Act, 1956, from a member of the company proposing his candidature to the office of the Director. His shareholding in the company is NIL.

None of the Directors of the company except Mr. Anil Kumar Sethia is interested or concerned in passing of the resolution.

Item No. 7

Mr. S. Z. Memon was reappointed as Wholetime Director by the Board of Directors of the company in its meeting held on 2nd September, 2006 for a period of three years w.e.f. 1.4.2006 to 31.3.2009 subject to approval of shareholders in General Meeting. The remuneration Committee of the company at it's meeting held on 3rd July, 2006 recommended remuneration and increments which may be given to him.

Mr. S. Z. Memon has vast and long experience with the company and his continuing association as Wholetime Director of the company will help the company in attaining its objects in better and harmonious way. The proposed remuneration of Mr S. Z. Memon is within the limits and other terms of the Schedule XIII as amended to the Companies Act, 1956. The main terms and conditions of the appointment of the Wholetime Director as embodied in the Agreement to be entered into between the Company and the Wholetime Director, are as follows:-

Name & Designation	: Mr. S. Z. Memon, Wholetime Director
Period	: 01.04.2006 to 31.03.2009.

REMUNERATION AS ON 1.4.2006:

PART A

(a) Basic Salary	: Rs. 11895/- per month;
(b) House Rent Allowance	: Rs. 3304/- per month;
(c) Entertainment Allowance	: Rs. 1747/- per month;
(d) Others	: Rs. 8285/- per month; and

increments as may be given to him in future so that his remuneration described in Part 'A' (a to d) above remains within Rs.40,000/- per month till the end of his present tenure.

**PART B**

- (i) Gratuity not exceeding half month's salary for each completed year of service.
- (ii) Encashment of leave as per the rules of the Company.
- (iii) Contribution to Provident Fund as per the rules of the Company.

PART C

Provision of car with driver to be used for company's business and telephone at the residence. These will not be considered as perquisites. The Company shall bill personal long distance call and use of car for private purposes to the Wholetime Director.

In the event of loss or absence or inadequacy of profits of the company in any financial year, Mr. S. Z. Memon, Wholetime Director shall be paid the salary and perquisite as specified hereinabove. Either party giving a three months notice in writing may terminate the Agreement at any time. The draft agreement to be entered between the Company and Mr. S. Z. Memon is available for inspection by the members of the Company upto the date of the meeting at its Registered Office between 10.30 A.M. and 1.30 P.M. on any working day except holidays.

This should also be treated as an abstract of the draft agreement between the Company and Mr. S. Z. Memon, pursuant to Section 302 of the Companies Act, 1956.

Mr. S. Z. Memon is deemed to be interested or concerned in the resolution, which pertains to the appointment and remuneration payable to him.

None of the other Directors of the Company is interested or concerned in passing of the resolution.

Registered Office:

74/75, GIDC, Nandesari,
District : Baroda
PIN - 390 340
Dated : 02.09.2006

By Order of the Board of Directors

R R DHANANI
Chairman & Managing Director



DIRECTORS' REPORT

To,
The Members of
Liberty Phosphate Limited,

Your Directors are pleased to present the Eighteenth Annual Report of the Company with the Audited Accounts for the year ended on 31st March, 2006.

FINANCIAL RESULT:

(Rs in Lakhs)

PARTICULARS	2005-06	2004-05
Sales & Other Income	8744.31	7435.73
Gross Profit	870.82	750.19
Financial Charges	386.90	377.09
Depreciation	137.26	93.31
Profit/(Loss) before tax	346.66	279.79
Deferred tax (liability)/Assets (on account of timing difference)	(35.14)	1.05
Income Tax	(90.46)	113.43
Profit/(Loss) after tax	221.06	165.99
Add: Profit/(Loss) brought forward from previous year	93.35	(72.64)
Balance of Profit/(Loss) carried to Balance Sheet	314.41	93.35

DIVIDEND:

In view to conserve the resources and to meet the requirement of higher working capital for expansion of the production capacity which was completed during the year under review, your directors are not recommending any dividend for the year 2005-2006.

EXPANSION:

To fulfill the demand of Kota, Jaipur and Bharatpur Divisions of Rajasthan, Central Madhya Pradesh and Western Uttar Pradesh for our product, your Company has established a SSP Production Unit at Kota with a capacity of 1.32 Lacs MT per annum. The commercial production has been started from August, 2005.

Similarly to fulfill the demand of Western Maharashtra market for our product, the company has established a SSP production unit at Village - Rasal (Pali), Taluka - Sudhagad, District - Raigad (Maharashtra) with a capacity of 66000 MT per annum. The commercial production has been started from September, 2005. Granulation Unit with a capacity of 50000 MT per annum has also installed with this plant. This unit has been commissioned in December, 2005.

OPERATIONS:

The turnover for the year under review is Rs.8715.09 Lakhs as compared to Rs. 7417.45 Lakhs for the previous Year ended on 31.03.2005. Turnover of the company is showing an increase of 17.49% as compared to previous year ended on 31.3.2005. This increase in the turnover as compared to previous year is mainly on account of erection and commissioning of new plants at Kota in the State of Rajasthan and Rasal (Pali) in Maharashtra State.

SUBSIDIARY:

The documents to be annexed to this report pursuant to section 212 of the Companies Act, 1956 are annexed herewith.

**DIRECTORS :**

Shri B.B. Mohanty, Shri Z. U. Khan and Shri Abdul Mannan resigned from the office of the Director with effect from 31.10.2005 and Shri Inderjeet Singh Chauhan w.e.f. 31.07.2006. The directors place on record their appreciation for the services rendered by these directors during the tenure of their office as director.

In accordance with the provisions of the Articles of Association of the Company and the Companies Act, 1956, Shri Vinit J. Shah, Director of the Company retires at the ensuing Annual General Meeting by rotation, and is eligible for reappointment.

Mrs. Anisha R. Dhanani was appointed as an Additional Director on the Board of the Company with effect from 31.10.2005 and Shri Firoz Asgar Khambati and Shri Anil Kumar Sethia were appointed as Additional Directors on the board of the company w.e.f. 31.07.2006. In accordance with the provisions of the Companies Act, 1956, they cease to be directors at the commencement of ensuing Annual General Meeting. The Company has received notices under section 257 of the Companies Act, 1956 from members of the Company proposing their candidatures to the office of Directors along with necessary deposit.

The Board recommends their reappointment/appointment.

FIXED DEPOSITS:

During the year under review, the Company has not invited / received deposits from public under section 58A of the Companies Act, 1956.

CONSOLIDATION OF ACCOUNTS:

As required under clause 32 of the Listing Agreement with the Stock Exchange, at which the Equity Shares of the Company are listed and traded, the Audited Consolidated Financial Statements form part of the Annual Report.

AUDITORS :

M/s. V. Shah & Associates, Chartered Accountants, Vadodara and M/s. K.L. Vyas & Co., Chartered Accountants, Udaipur, Joint Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting and, are eligible for re-appointment. They have also submitted certificates required under section 224(1B) of the Companies Act, 1956. You are requested to appoint the auditors and fix their remuneration.

AUDITORS' REPORT :

The observations of the Auditors in their report are self-explanatory and thus do not call for any further clarification under section 217 (3) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm:

- (i) that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as on 31st March, 2006 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors had prepared the Annual Accounts on going concern basis.

CORPORATE GOVERNANCE

In compliance with the listing agreement with the Stock Exchanges the Report on Corporate Governance is enclosed as Annexure 'A'.

**MANAGEMENT DISCUSSIONS AND ANALYSIS :**

In compliance with the listing agreement with the Stock Exchanges the Report on Management Discussions and Analysis is enclosed as Annexure 'B'.

PARTICULARS OF EMPLOYEES :

During the year under review, no employee of the Company was in receipt of remuneration in excess of the limit specified under provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

In pursuance to Section 217(1) (e) of the Companies Act.1956 read together with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 the relevant information is annexed as Annexure 'C'.

ACKNOWLEDGMENT :

The Directors acknowledge with gratitude the co-operation extended by Canara Bank, Railway Authorities, and the various Central and State Government authorities. The Directors also wish to place on record their appreciation to the team of executives, staff and workers who have shown devotion and efficiency in performing their jobs.

For and on behalf of the Board
LIBERTY PHOSPHATE LTD.

Place : Mumbai
Date : 02.09.2006

S. Z. MEMON
Director

R. R. DHANANI
Chairman & M.D.